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# Managing Incoherence: The Coordination and Empowerment Conundrum

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*Two dimensions of administrative change in contemporary democracies are at war with one another. On the one hand, the "new public management" argues that organizations should decentralize and empower lower echelon employees. Further, government is urged to decentralize structurally and to create autonomous and semiautonomous organizations to deliver public services. On the other hand, continuing fiscal pressures and the requirements of the global economy point to the need to coordinate better not only policies but also programs which increasingly cut across departmental or agency lines.*

*The United States presents an extreme case of the need to coordinate multiple and often incoherent programs. That need has to a great extent been exacerbated by reforms stemming from the National Performance Review (NPR). The research reported in this article examines the impact of the NPR on the behavior of central agencies in Washington—the Office of Management and Budget, the Office of Personnel Management, and the General Services Administration. We argue that despite the changes over the past year, the fundamental nature of central agencies has not been transformed, and they are still very much in the business of imposing central policy and management controls.*

Governments increasingly must contend with major forces pulling in diametrically opposite directions. Some of the forces are largely the result of their own policies, but others are not. Regardless of their origin, these two sets of forces compete with one another: Centripetal forces, unleashed by those wishing to reinvent government, pushing the center of government to decentralize decision making to empower managers and front-line employees; and centrifugal forces calling on the center to strengthen its capacity to coordinate policy development and implementations—and even government operations.

Our purpose in this article is to identify these competing forces and report on how, and how well, governments—particularly the American government—are dealing with them. We look mainly to the United States experience, in part because the competing forces are readily apparent there but also because we were able to secure information from key decision makers on how they are dealing with the situation.<sup>1</sup> Vice President Gore's report of the National Performance Review (NPR) took aim at various constraints to solid management. The need to empower government employees is a recurring theme of the report (*From Red Tape to Results*, 1993). The chapter headings tell the tale: Cutting Red Tape, Empowering Employees to Get Results, and Cutting Back to Basics. Sufficient time has now elapsed to review the report's implementation (Kettl, 1994).

At the same time as the Clinton administration is moving ahead with the implementation of the NPR report, it is also coming face to face with a number of forces pointing to the need for a stronger capacity for central policy direction and control. The rise of policy issues that cut across departmental or agency lines, a difficult fiscal situation, public complaints over overlap and duplications in government programs, and the challenges of the global economy suggest the need for a strong policy and program coordination capacity at the center. One can easily see tensions, if not outright contradictions, in pursuing both sets of ideas simultaneously.

The government of the United States is an excessively complex and often incoherent governing system. There are extreme structural divisions in American government. Divisions exist between the three coordinate branches of government as well as within each institution. One could argue, indeed, many already have, that the American system of governance was designed purposefully to be incoherent, to be incapable of producing efficient and effective governance in all but the most extreme cases. These divisions within the system are magnified by public skepticism about government and its capacity to manage the tasks with which it is charged. Accordingly, any lessons learned about how Americans are coping with the tensions between centrifugal and centripetal forces should be welcomed in other countries with less-extreme structural divisions in their governing systems.

## Sources of Incoherence

The vast number of programs run by the governments of industrialized democracies and the competitive and conflicting goals of those programs create a complex web of interaction between state and society. If we apply the usual litany of "interests, ideas and institutions" used in comparative political analysis, we find that changes in all three variables point toward greater incoherence and the consequent need for greater coordination (Hall, 1986). First, private sector interest groups seeking benefits from government have, if anything, grown more demanding, given the increasingly fragmented nature of single-issue politics in many countries, formalized processes of consultation, and the perception of zero-sum politics in the face of fiscal constraints.

A number of institutional reforms in major democratic systems tend to fragment government and make coordination more difficult. The most obvious example of this pattern is the creation of instrumentalities, such as the Next Steps agencies in the United Kingdom and Special Operating Agencies in Canada, that disaggregate large ministerial structures into a host of smaller organizations, each with enhanced autonomy. In addition to the increased division within the public sector itself, there has been a pronounced tendency to use more private sector organizations to provide public services. Both patterns lessen the coherence of public programs and create a need for stronger central coordination efforts.

Finally, many ideas now in vogue in public sector management also promote greater policy incoherence. One of these ideas is empowerment—giving more power to the lower-echelon employees of organizations, or even to the clients of the organizations (Kernaghan, 1992; 194-214). Allowing employees to make more decisions is assumed to involve them more in the organization, to make them more accountable for their actions, and to enhance efficiency. A related set of ideas about deregulating government removes many internal controls over personnel, purchasing, and the like (DiIulio, 1994). Contemporary managerial thought also seeks to enhance the entrepreneurial spirit of managers in government so that they will be willing to be more innovative and less risk-averse. These changes could well make public sector employees in line departments and agencies happier, but they also may reduce the degree of uniformity of decisions and the degree of policy coherence.

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As noted, one common strategy for attempting to improve the performance of contemporary governments has been to divide large ministerial structures into many smaller ones. For example, in the United Kingdom, several hundred executive agencies have been created to perform a large proportion of the functions formerly done by the ministerial departments (Greer, 1994). The logic of these reforms is that by dividing implementation from policy formulation, and by more clearly identifying the goals of each organization, each one can perform its narrower task more effectively. Furthermore, parliaments and other "sponsors" will be able to judge more clearly the performance of the agencies and the executives managing them.<sup>2</sup>

The structure of the public bureaucracy in the United States anticipated the emerging pattern in other industrialized democracies. Although there are 14 cabinet-level executive departments and a host of independent executive agencies, much of the logic of action in the executive branch is focused on the agencies beneath the cabinet level. The best way to conceptualize the cabinet departments is as holding companies for the agencies that comprise them. Even though the budgetary process and other important aspects of policy making are channelled through the departments, the links of the agencies with Congress and its committees, as well as their links to interest groups, makes control at the departmental level difficult. Autonomy is, of course, a variable with some agencies having a great deal of room for action (the Federal Bureau of Investigation or the Food and Drug Administration), and others having very little (social service agencies). The linkage among administrative agencies, congressional committees and subcommittees, and interest groups produces the now-infamous iron triangles in American politics (Freeman, 1955). Although these structures are less-well integrated and insulated from external forces than they once were and are now better characterized as issue networks or policy communities, the policy sectors in the United States remain reasonably autonomous and capable of making many policy decisions on their own (Heclo, 1978). This, of course, is also likely to increase the tendency toward incoherence already present in the political system.

Congressional committees and subcommittees have an importance in American government that is unprecedented in other political systems and requires some additional explanation. Moreover, the disaggregated structure of Congress is sometimes seen as advantageous for exercising oversight on the executive (political and bureaucratic) (Aberbach, 1990). In practice, however, the fragmentation of control structures may contribute to policy incoherence and result in a manifest failure to exercise effective control over the bureaucracy. Every agency in the American bureaucracy must report to at least four congressional committees. Each agency reports to a functional committee (agriculture, for example) in each house, as well as to an appropriations subcommittee in each house. Very few significant issues, however, fall neatly into the

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domain of a single committee or subcommittee, and agencies, therefore, sometimes find themselves testifying in hearings before a large number of committees and subcommittees (Smith and Deering, 1990). For example, eight committees in Congress held hearings on the recent attempts at health care reform. Given the volume of work that contemporary governments must undertake, it is difficult for the two houses of Congress as a whole to engage in effective oversight and to deal with the entire range of policy issues being considered by its committees. Thus, we can see that this structural feature exacerbates the problems of providing central policy direction and can increase the potential for incoherence of public policy in the United States.

### Entrepreneurship

The recent reforms of government in the United States stressed the role of individual political appointees and civil servants as public sector entrepreneurs. Following Osborne and Gaebler (1992), the National Performance Review stressed the need to build an entrepreneurial government. This concept was developed in reaction to one of the conventional stereotypes of public employees as risk-averse and constrained by miles of red tape. Entrepreneurship is designed to unleash the creative and innovative capacities of public managers and also to make them more responsible for their own decisions. This concept is also related to other managerialist ideas, such as differential rewards for performance and public organizations. It also conforms well to the structural reforms being implemented, with the independent agencies presumably being headed by an entrepreneurial leader on a performance contract rather than a permanent public employee.

As with other changes in the public sector, an emphasis on entrepreneurial behaviour by administrative leaders is likely to make central coordination and control more difficult. By its very nature, entrepreneurial behavior is less constrained by conventional norms of hierarchy and public law. The entrepreneur, rather, is expected to behave as if he or she were in the private sector and seek to achieve organizational (and perhaps personal) goals by innovative means. The result is that these leaders and their agencies are likely to be less easily controllable than they would be in conventional organizations. Further, to the extent that the agency receives fees for its services and is self-financing, the capacity to exercise control through the budgetary process is also diminished significantly.

Another idea associated with managerialism in the public sector is that of customer-driven government—that is, public agencies should attempt to identify their customers and then serve those customers in the best way possible (Barzelay and Armanjani, 1992, chaps. 1 and 7). Although this might appear to be something government should have been doing all along, in fact it represents some fundamental departures from conventional public sector

thinking (Pierre, 1995). In particular, this concept tends to place the driving force of government in the clients rather than in the political leadership or in public law; it also changes the political role of citizenship into the more economic role of consumer. Just as entrepreneurship tends to reduce central control and increase the variability of policies, so, too, does the customer orientation. If government departments and agencies are expected to receive their policy direction from their customers, and, therefore, from below, there is less need to worry about central control. Indeed, centralized control may well be seen as illegitimate, since it would reduce the responsiveness of the agency. It follows that a customer-oriented approach should promote policy incoherence and a lack of sameness. Yet these two ideas have long been considered a virtue in government.

### Interest Groups

American democracy has always been compatible with interest groups, as noted previously in the discussion of iron triangles. The role of interest groups may, however, become even more important than in the past, for several reasons. First, the level of organization has been increasing, and multiple and competing interest groups populate every policy area. The debate over health care reform, for example, demonstrated the power of interest groups (Seelye, 1994). Moreover, interest groups have become even more central to the political process because of their role in campaign finance through political action committees. This enhanced role of interest groups has been associated with the “overload” of American government and the consequent difficulty in processing the multiple and competing demands placed on the system (Peters, 1994). This schizophrenia about the role of government in the United States is evident in the dominance of antistate attitudes coupled with excessive demands for particularistic benefits from government. As Lowi (1979) has argued, the public sector in the United States is often appropriated by private interests, and structural fragmentation of American government makes the control of these group demands all the more difficult. The process of policy making is so segmented that there can be little or no comparison with the alternative uses of public funds, and little way to control the distribution of group benefits.

### Empowerment

Finally, central agencies should be losing power in a world that emphasizes empowerment and decentralization. Central control is privileged in traditional administrative structures that depend on hierarchical legal and political control. In a world of government that is more concerned with the empowerment of lower echelons of the public service and of their clients, central agencies appear to be anachronisms. Furthermore, given the entrepreneurial values now motivating public managers, any attempts to create conformity and uniformity through central agencies appears as a barrier to what is perceived to be good management, rather than as essential to proper public administration.

One of the problems encountered in the real world of public management is that the leaders and employees of the central agencies also believe that they should be empowered. In a seeming



paradox, central agencies such as the Office of Personnel Management (OPM) now see one of their major functions to be policing the other departments and agencies to ensure that they implement all the ideas of customer-driven management and empowerment. Moreover, the fiscal problems and the spending ceilings so important for understanding the budgetary process require the Office of Management and Budget (OMB) to retain much of their "nitpicking" authority, along with the more enlightened role of policing strategic planning and agency "business plans." In Washington, most actors still "speak budget": it is likely, therefore, that at least this central agency will retain its capacity to control federal agencies. This disjuncture between (presumably) empowered agency leadership and the continuing powers of central agencies will present a continuing problem for American public management. For example, OMB is attempting to control public spending and the deficit while at the same time more agencies are able to fund much of their own operations through fees charged for their services, with the clients coming from both inside and outside the public sector. Similarly, OPM continues to audit the personnel actions of the agencies, while being increasingly unwilling to provide advice and guidance to those agencies. In short, several ideological forces within the public service appear to be on a collision course with one another.

## Increasing Demand for Coordination and Control

Although several ideological and theoretical forces appear to be thrusting government organizations toward greater autonomy and diminished control from the center, others, at the same time, appear to be demanding a reassertion of that control. Fiscal problems are among the important forces pushing for greater central control, with governments finding themselves incapable of continuing to do all the things they have always done. The choices about priorities are almost inevitably political and administrative, choices which require imposition of centralized controls, through central agencies or direct interventions by political leaders and their appointed agents (Wildavsky, 1978; 501-509). As we examine the actions of American government in coping with its management problems, we have to understand why there is a real and even increasing need for central coordination.

One of the pressures for enhanced coordination within American government is the need to manage cross-cutting policy issues, since the effect of these issues cannot be contained adequately within conventional policy sectors. For example, it is not possible to think about education without also thinking about its impact on competitiveness and labor markets. Another aspect of the cross-cutting policy issues is that poorly designed and coordinated programs may produce results that cancel each other out, or at least diminish one another's impact. We have already discussed this in reference to different managerial thrusts within management policy, but it also occurs for service delivery programs (Peters, 1995). For example, programs implemented by the Environmental Protection Agency to minimize the production of ozone and other air pollutants from automobiles tend to impact negatively other programs (in the Department of Energy and in EPA itself) to increase gasoline mileage of automobiles. Some government agen-

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cies pay farmers to take land out of production, while at least one other (the Bureau of Reclamation in the Department of the Interior) spends large sums of money to make other land arable.<sup>3</sup> In addition to being expensive, these apparently contradictory programs make government look disorganized to the public.

The global economy is also putting pressure on national governments to improve the coordination of their policies and programs. Regional trade agreements, such as the North America Free Trade Agreement (NAFTA), are pushing national governments to harmonize a wide variety of laws and policies from one nation-state to another. This requires the promotion of a government-wide capacity to review regulations and programs. In addition, national governments have come to recognize that, for their countries to be competitive in the international marketplace, they need to be proactive in coordinating key economic and social policies, in particular labor market and social programs. In short, no longer can government see policies and even departments in related isolation from one another. It is now also clear that the global economy will be leaving in its wake large problems of adjustments and conflicts between firms, sectors, regions, and nations. National governments will not be able to stand idly on the sidelines. They will intervene—as they have already started to do—but the interventions will be coming face to face with important constraints, not the least of which is a difficult fiscal situation confronting most Western industrialized democracies. Accordingly, the interventions will have to be creative and draw upon the resources of several departments (Savoie, 1993).

Fiscal pressures will also dictate the need for a horizontal perspective on government operation. We know that in government, "money steals the stage.... it is the only tool with a natural unit of measure" (Sutherland, 1990; 138). We also know that demands for public expenditures invariably exceed government revenues. Various efforts to control spending by focusing on the performance and outputs of government programs, starting with Planning Programming Budgeting Systems, have failed or certainly have never lived up to expectations. If we have learned anything on the budgeting front, it is that budgeting is fundamentally a political process. The budget process can never be placed on automatic pilot in the expectation that sophisticated performance indicators will sort out which programs should be funded at what level. Choices must be made among competing demands. This, above all, requires political judgment about which interests should be indulged and which deprived. To be successful in shaping the major contours of the budget to reflect government priorities, the political leadership needs to structure the budgetary process in order to assert control

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over it. It must have a knowledge of government policies, departments and programs that cut across departmental lines, knowledge that is both consistent and comparable in quality and content.

The political leadership in the United States, as elsewhere, is being called upon to deal with perceived problems of overlap and duplication in government programs. The National Performance Review, as had been done before by Reform 88 and the Grace Commission, identified duplication and overlaps in government programs as an important problem. It argued: "[we have] looked at government as a whole. We have identified many areas of duplication" (*From Red Tape to Results*, 1993; 18). It is important to stress that the NPR came to that conclusion *after* it had "looked at government as a whole." Similarly, governments will need a capacity to look at themselves and at programs as a whole if they want to attack problems of duplications and overlap. Empowered managers and employees on the front line will naturally be preoccupied with the details of the day, and with providing top-flight services to clients. It is difficult to imagine that identifying duplication and overlaps and then trying to sort them out with senior officials of the relevant departments, perhaps in far away Washington, will be high on their list of priorities.

Public administration has a number of core values; one value high on many lists is fair treatment for all. It is one of several values that distinguishes government operations from private firms. There is a world of difference between citizens (read "government") and clients (read "business"). Clients are sovereign: they can hold private firms accountable through their behavior in a competitive market. Clients can turn to the market to defend their interests, or they can walk away from an unsatisfactory firm and turn to a competitor. Citizens, on the other hand, have common purposes. They can hold politicians accountable at election time, through political institutions and the media. Politicians, in turn, can hold public servants accountable by imposing rules and regulations. Clients are treated differently by private firms—the bigger the client, the better, often, the service—and nonclients are obviously less, if at all, important. Citizens, however, demand equal and fair treatment for all from their governments. Lest we forget—one person's red tape is often another's due process.

Public servants themselves also demand fair and equal treatment. The application of the merit principle, the classification of positions, and the administrative conditions under which public servants work are all designed to ensure equal treatment for all in the workplace. One can ask what is left for public service employment if equal treatment is rejected. If it is not rejected, then one can ask how equal treatment can be ensured if centrally defined prescriptions are not applied with some degree of consistency across the public service.

The Office of Personnel Management (OPM) has, with considerable public fanfare, "scrapped" the "*Federal Personnel Manual*, a 10,000 page behemoth of rules—nearly 10 times bigger than the Bible" (*Creating a Government*, 1994; 45). The director of OPM declared that "the dinosaur is officially fossilized and is going away" (p. 45). He also announced that the "infamous Standard Form 171—the imposing government job application form" would be

eliminated by 1 January 1995 (p. 45). OPM announced that it would retain about "14 percent" of the pages of the manual and repackage and reissue them as government-wide regulations or handbooks. The SF-171, however, will not be replaced and job applicants will be able to use their resumé to apply for a position.

Though both moves eliminate red tape, they could also chip away at the established "sameness" in the treatment of public servants. Employees are likely to challenge the lack of sameness by asking why employee X received something not available to employee Y, even though both operate under the same circumstances, albeit in different offices. In addition, career officials at OPM point out that a good part of the manual consisted of guidance to managers rather than rules and regulations that had to be followed. When departmental or agency personnel asked for guidance on a specific issue, OPM "wrote it down and subsequently added it to the manual. It was for this reason that the manual grew and grew."<sup>4</sup> Relying on resumé to secure information from job applicants could also favour individuals with a knack for putting together attractive and appealing documents. There is no doubt that in this case, as well, sameness will break down, with perhaps as many ways of writing resumé surfacing as there are job applicants. Members of a minority group may well lack the skills, not to mention the assistance of parents who have traveled that territory before, to compete with others in preparing eye-catching resumé and in obtaining government employment.

## Mechanisms for Control

Governments, and especially their political leaders, cannot afford to tolerate excessive levels of incoherence and apparent disorder in government. They must, therefore, attempt to seize control of such levers as they can and create greater coordination. The problem they face is that many traditional levers are being delegitimated by ideological shifts in public management, or their utility is being devalued through growing pressures toward incoherence, as already described. Nowhere are these problems clearer than in the United States, and there have been some important responses that attempt to recapture at least some level of control over events in the public sector. These new levers, however, have some important policy and administrative problems of their own.

An overriding source of the problems of control is the failure of political will. None of the problems faced in government are easily managed, and there will be political repercussions for any leader who attempts to tackle them. Attempts to reduce the deficit, for example, will require either reductions in spending for popular programs or increases in taxes, or both. Thus, the easiest political response may be to do nothing and to leave the problems for the next office holder. When political leaders are not willing to make difficult decisions, they sometimes are willing to take measures to tie their own hands and to develop formulas that bind their future actions. The most obvious examples of American political leaders constraining their own options have been found in the budget. Beginning with the Gramm-Rudman-Hollings program and continuing through the *Budget Enforcement Act* (BEA) of 1991, there have been attempts to prevent Congress and the President from avoiding the issue of the deficit (Kettl, 1992). Both programs set targets for reducing the deficit, with automatic cuts being imposed

according to a formula if those targets are not met voluntarily.<sup>5</sup> Furthermore, under the BEA, if a bill contains an expenditure increase or a tax reduction, it must specify where offsetting revenues or expenditure savings are to come from. These acts, and especially the BEA, force the President and Congress either to be more responsible in their budgetary behavior or have someone else impose that responsibility for them.

There are continuing proposals to apply even more rigid formulas to the budgetary process, with the usual remedy for all that ails the United States being the balanced budget amendment (Aaron, 1994; 41). Almost all American states are required by their state constitutions to run a balanced current budget, and the argument is made that the federal government should be similarly constrained.<sup>6</sup> This proposal has been voted on a number of times in Congress, most recently in 1994, and has always been defeated.

It is not just the budgetary process, however, that is subject to attempts to constrain the opportunities of politicians to do as they might. A principal component of "automatic government" in the United States is the indexation of Social Security benefits to match increases in consumer prices (Weaver, 1988). This was adopted in part explicitly to prevent incumbent politicians from increasing benefits just before elections, thereby using the public purse to add to their campaign funds. Another set of policy formulas guide the distribution of federal funds through grant-in-aid programs to the states and localities. For example, there have been several versions of the grant formula for distributing money which appears in the Elementary and Secondary Education Act. More recently, the 1994 Crime Bill has a formula for distributing funds to the states that tended to favour smaller and rural states, rather than large metropolitan areas in which crime appeared to be the greatest problem. This list of apparently dysfunctional formulas could be extended, but the point would be the same: Congress has sought to tie the hands of the President and the bureaucracy and to prevent them from making discretionary decisions, even if those decisions might conceivably make the programs work better and help to meet the goals specified in the legislation.

The federal government, likewise, continues to index the federal income tax more rigidly than do the tax authorities of most other countries. This denies to the federal government any additional revenues from "bracket creep," thus placing a major constraint on its ability to increase expenditures. This constraint is especially tight, since the costs of producing many government services tend to increase more rapidly than inflation given the large labor component of services and the lower returns to capital investment (Baumol, 1967; 414-426). If this constraint were applied to all federal revenues, it might require a gradual reduction of services rather than simply keeping service levels constant.

The logic behind formulas and indexation is clear and to some degree has been successful. The ceilings imposed by the Budget Enforcement Act do appear to constrain expenditure increases and to impose a level of fiscal discipline on the federal government. That having been said, however, indexation and related formulas also pose significant risks, perhaps the most important being that any set of rules such as this invites clever people to find ways around it. One of the arguments against the Balanced Budget Amendment, for example, is that it is so rigid that the government will not be able to respond to emerging and important needs in

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society without appearing to be violating the Constitution. Even when working with the Balanced Budget Amendment, Congress has declared some expenditures, such as flood and earthquake relief, to be off-budget—a humane act, but also one likely to produce even more cynicism about government.

The other, albeit less-apparent danger with these formulas, is that they provide simple solutions for complex problems, and substitute algorithms for thought. For example, the fact that Social Security benefits are indexed tends to remove the level of benefits from the political agenda. With medical care expenditures being such a large proportion of the living expenses of the elderly, and with the costs of these services increasing more rapidly than general price levels, it is probably the case that the simple indexation formula being used does not adequately adjust benefits for price changes. Similarly, the continuing indexation of the threshold at which income taxes are first charged may not adequately reflect the declining real wages of a significant portion of the work force (Starobin, 1993; 2176-2179). In short, there is no simple substitute for political judgment and political will when making public policy.

A second constraint on the ability of agencies to become more autonomous is the law. Although it has been argued that some of the reforms of the past few years disregard the importance of law in controlling American government, in practice there is still a strong legal element shaping the organization and management of public programs (Moe, 1994; 111-122). Every time an agency wants to issue a regulation, even if the intention actually is to deregulate, it must find a legal peg on which to hang that regulation (Kerwin, 1994). Similarly, unlike many governments, the basic structure of American government is enshrined in a series of legislative acts so that any significant reorganization cannot occur without the compliance of the legislative branch (Arnold, 1986). In short, the system remains (for the most part, at least) one of "laws, and not of persons."

The legal basis of American government is made even stronger because of the role of the courts. Much of the enforcement of the legal constraints on public authorities comes about through the private actions of individual citizens and groups who feel that they have been wronged because of "arbitrary and capricious" actions. Thus, an agency and its officials must always be looking over their collective shoulder to see what challenges might be made to their actions. These challenges could be procedural, arising from the Administrative Procedure Act of 1946 and its amendments, or they can be substantive. They can also be constitutional, based on concepts of either procedural and substantive due process or other constitutional guarantees.



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Law appears to constrain the contemporary reform process in several ways. First, there are a number of personnel and structural requirements that cannot be easily eliminated by reinvention or other attempts at reform. For example, even if the personnel system is changed to make it more like that of the private sector, there are still legal requirements for merit selection and numerous protections against arbitrary dismissal. There are also programmatic requirements by which government agencies must abide when they make and implement their policies. Government agencies may become more entrepreneurial and their employees more empowered, but the legal requirements remain and must be fulfilled or the agencies can expect to be challenged in the courts.

Central agencies may well have tossed some of their manuals out the window, but others continue to exist. Tigers do not easily part with their stripes and one can assume that central agencies will also not easily part with theirs. OPM officials, for example, maintain that all they have lost over the past 12 months or so is the "power to nit-pick" (Arnold, 1994). However, they insist that they have retained—or in some instances, gained—the power to establish broad policy guidelines and to engage in discussions with line departments and agencies over the "broad picture" of government operations.

Officials with the Office of Management and Budget (OMB), meanwhile, report that they have suffered no loss of power, not even their power to "nit-pick."<sup>7</sup> They are quick to add, however, that their interest and mandate now is to focus on broader issues and to oversee the implementation of performance indicators. This, they report, explains why the "M," or the management side, has been merged with the "B" side. A senior OMB official pointed out that in future the agency will focus on two and three issues and on the need to establish a broad framework for the administration. As a whole, he explained: "The difference between public and the private sector is not culture, it is size." Improving management in government will have to come from the "bottom since it is impossible to drive from the top given the size and complexity of government." In short, he sees the challenge for OMB as one of focusing on major policy issues and less on the power to "nit-pick."<sup>8</sup>

Officials at the General Services Administration (GSA) report that they are "pushing ahead" with the implementation of the NPR report. Though the 1949 act establishing the GSA gave the administration considerable power, GSA officials insist that the power always lacked teeth because when departments and agencies "screw up, we did not—and still do not—have a legal 'gotcha' clause" to hold them to account.<sup>9</sup> Accordingly, in their opinion their loss of power resulting from NPR measures is more "superficial" than "real." Their objective at GSA is now "to become the provider of choice" and "to focus on broad policy and regulatory issues." On the first point, they reveal that fee for services accounts for some 98 percent of their revenues. On the second point, GSA officials argue that their role is to assist line depart-

ments and agencies implement NPR recommendations and various new "management acts," notably the Federal Acquisition Improvement Act (1994), the Government Management Reform Act (1994) and the Government Performance and Results Act (1993). This, they add, requires a "culture change" rather than a capacity to oversee whether prescriptive rules and regulations are being respected.

We interviewed both career and politically appointed officials in the Department of Education to gain an appreciation of the central agencies from the perspective of a line department. As one would expect, politically appointed officials were much more positive on the work and progress of the NPR. One reported, however, that "on the budget side, it is the same old story, on personnel matters some 'modest' changes have taken place and GSA still operates essentially in the same way as it always has. There is still a need to go to the top when we have to unblock things."<sup>10</sup> But, she insisted, "things will be changing and we can sense that." Career officials echo some of these observations. They argue that OMB's main concern "is and will always be the budget." There is no doubt, however, that the disbelief culture is much stronger among career officials than among politically appointed ones. One career official in the department made precisely the same observation we had heard before from an OPM career official: "This too shall pass." He added that what will stick from the NPR exercise is "a smaller federal public service, a more insecure OPM, a somewhat confused OMB and a GSA that will be trying as best it can to walk both sides of the street—a central agency and a provider of service in competition with others."<sup>11</sup> Clearly, "this" might pass, but it has the potential to leave in its wake a new relationship between the centre of government and line departments and agencies.

Notwithstanding the above, we know that strong "political will" can be an effective instrument of coordination. Margaret Thatcher, for example, left little doubt inside government where she stood on most issues, and she was able to make a number of reform measures stick. The scrutinies exercise and the establishment of Executive Agencies jump to mind. Conversely, Brian Mulroney in Canada and President Reagan introduced a number of reform measures that fell flat, notably the Expenditure Review Committee in the case of the former and Reform 88 in the case of the latter. Neither Mulroney nor Reagan pursued their reform measures with the necessary commitment to make them stick (Savoie, 1994; chap. 10). Strong political will combined with a deep commitment to the spirit of the NPR will be necessary for a number of reasons if the reforms are to have any lasting impact. First, as has been the case, so many times with reform measures, the reform momentum will peter out unless the civil service sees that the political leadership is willing to spend political capital to make the reforms work. Underpinning the NPR reforms is what President Clinton labels the need "to change the culture of our national bureaucracy away from complacency and entitlement toward initiative and empowerment" (*From Red Tape to Results*, 1993;1). Initiative and empowerment will entail mistakes—a point that was made time and again in the interviews—and many of them will be highly visible in the media. How the political leadership responds to these mistakes will shape the "brave new world." With the fall of centrally prescribed rules and regulations found in such documents as the personnel manual, there will be less certainty and consequently less



"sameness" in how issues are resolved. In addition, there will be less consistency in how errors are dealt with. We are likely to be left with a situation where the punishment will be designed on an ad hoc basis to fit the crime.

## Some Fundamental Questions Left Unanswered

What the above reveals is that there are powerful forces suggesting that national governments should strengthen their capacity to provide central direction and to coordinate better their policies and programs. At the same time, however, national governments, notably the United States government, have launched ambitious efforts to streamline government operations, to empower managers and front-line employees, and to turn to the needs of "clients" to shape the delivery of government services. The contradiction is obvious, and it has not been resolved. The forces calling for a stronger center appear to have been left unattended while the American government rushes headlong into a new managerial world that appears to have been borne out of frustration with government bureaucracy and a profound desire to introduce business management practices in government operations (Moe, 1994).

Public servants, in particular those in central agencies and in policy, administration, and coordination divisions in departmental headquarters, feel the full impact of forces pulling in opposite directions. They look to the growing internationalization of public policy, to strong fiscal pressure and to one of the most important core value of their institution which calls for fair treatment for all and sameness in their dealings both external and internal to the civil service. At the same time, they look to the work of the National Performance Review—and for that matter to virtually every other management reform measures attempted in Anglo-American democracies in recent years—which are full of promise for removing red tape, streamlining government operations, and empowering program managers.

It is one thing to argue that central agencies and departmental headquarters should focus on the broad policy picture and on performance rather than on input costs (i.e., nitpicking). It is quite another matter to make the transition. After all, the same call has been made many times before, going back to the introduction of the Planning, Programming, Budgeting System (PPBS) in the 1960s. Yet the NPR and other management reform measures are virtually silent on how one makes the transition. There are a number of vitally important questions that have been left unanswered: What will be the role of central agencies—and, more generally, of civil servants—in assisting politicians to define the broad picture? What kind of building blocks and information will be necessary to produce a broad policy picture? How does one reconcile the requirements of political institutions, on the one hand, and the loss of capacity to ensure a degree of sameness in the provision of government services and in government operations? How and who will ensure consistency in the information being submitted to politicians and decision makers so that line departments and agencies with a well-honed capacity to provide objective and accurate reports are not penalized? How will one be able to ensure a cross-cutting look at policy issues in a decentralized, empowered machinery of government which not only looks to "clients" for

## A number of measures recommended by the National

### *Performance Review have been in place in Canada.*

guidance, but also to client satisfaction to measure success (Moe, 1994)? These are some of the questions that need to be answered—and unless they are, career civil servants have a point in suggesting that "this too shall pass," when referring to the NPR.

## Some Lessons Learned for Canada

Canada, like the United States and several other Anglo-American democracies, has embraced the managerialism and reinventing government literature. The Canadian government has, in recent years, launched a number of management reform measures, including Increased Management Authority and Accountability (IMAA) and Public Service 2000 (Savoie, 1990). A review of these reform efforts and their implementation reveals that a number of measures recommended by the National Performance Review (NPR) have been in place in Canada. The emphasis on service to clients, the push to empower front-line employees, the streamlining of government operations, the establishment of a new common services policy, and the introduction of operating budgets have all been part of the Canadian reform package. Indeed, a comparison of the Canadian and United States management reform measures suggest that there are striking similarities between the two (Canada, 1993). There are only a handful of recommendations in the National Performance Review that do not apply because of conditions unique to the American system of governance.

The important lessons learned for Canada from the American experience is that the tension and contradictions between the need for greater coordination and central direction and managerialism left unresolved in the United States are also unresolved in Canada. This has important implications for how policies will be made, the expenditure budget will be struck, and the ability of the political leadership to point to a government-wide strategy and make it stick.

We sensed that officials in central agencies in the United States are uncertain of their role and even their future. This is particularly true for the OPM and the GSA, but much less so in the case of OMB. Yet, officials in the Department of Education at both the political and career levels report that very little has actually changed in their day-to-day relations with central agencies.

Central agencies, as both practitioners and students of public administration know intuitively, have a critical role to play in government. It is simply not good enough to throw personnel manuals out the window and introduce measures to empower line department employees while leaving unattended the future role of central agencies, hoping somehow that they will get the message that the brave new world of managerialism needs less and less central direction and control and hence less and less of them.

As in the United States, or for that matter in any other democratic state introducing major management reform measures, political will is important. The political leadership needs to understand that there is a downside to managerialism. Government will lose some of its ability to ensure a sameness of treatment for people

operating both outside government and inside the public service. In addition, errors will happen and, if past experience is a guide, they are likely to be widely reported in the media. Without the willingness to spend political capital to stay the course at critical moments, the reform measures are likely to be short-lived.

It is also clear that the push to decentralize decision making and to free managers from too much central control holds implications for accountability. The danger is perhaps stronger for Canada than it is for the United States. In a parliamentary system, there are precious few accountability mechanisms when compared to the presidential system. Congress has an "awesome arsenal" of weapons that it can use against government agencies (Kaufman, 1981; 164). The many weapons Congress has to direct the work of an agency and hold it accountable include "legislation, appropriations, hearings, investigations, personal interventions and friendly advice that is ignored at executive peril" (Wilson, 1989; 236). The President is the head of government and directs the work of the civil service accordingly. He can also look to the Constitution, which directs him to "take care that the laws be faithfully executed," and he can make the case that government agencies should be accountable to him.

Public servants in the United States government understand that they are accountable to both the President and Congress. They add that, given the requirements of the American Constitution, they are also accountable to the courts and directly to the American people (Savoie, 1994; 306-310). The point here is that the variety of checks and balances built in the American system of government provides a variety of opportunities to hold public servants accountable.

Canada is very different. As in Britain, the principle of ministerial responsibility underpins the relations between senior officials and ministers and, in turn, relations between ministers and Parliament. The notion of empowerment and reducing central control raises fundamental questions about how the principle will apply in future. Although it is increasingly being challenged, the principle makes the minister "blamable" for both policy and administra-

tion—and the minister, in turn, can reach into the bureaucracy, organized as it is along hierarchical lines, and secure an explanation for why things have gone wrong as well as advice on how to make it right. The push towards empowerment and removing constraints to management may well force us to revisit the continuing application of the principle of ministerial responsibility (Finer, 1937).

We discovered that in the United States the application of sameness is an important constraint to the full implementation of the National Performance Review. A moment's reflection will reveal that sameness is, if anything, more important in the Canadian context given that regionalism in Canada is a much greater factor in shaping public policy than it is in the United States. A keen observer labels the politics of "regional envy—the Canadian disease" (French, 1992; 245). One can hardly expect the Canadian political leadership to embrace a movement or a policy which would, for example, see public servants receiving more pay, or being treated differently for doing the same job, because they are located in different communities in Canada. This begs the question of how far one can go in implementing various facets of managerialism if sameness has to remain a key feature of government operations.

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## Notes

1. The authors interviewed 18 officials from the Office of Management and Budget, Office of Personnel Management, the General Services Administration, the Department of Education, and the General Accounting Office in October 1994. Fourteen face-to-face interviews were carried out on 19-20 October 1994 in Washington, DC. Four telephone interviews were carried out between 3 and 25 October 1994.
2. The executives at the head of these organizations are hired on performance contracts rather than traditional public service contracts.
3. This is to some degree a geographical question, and with that a question of pork-barrel politics. Most land taken out of production is in the East, while most reclamation projects are in the West.
4. Interviews with OPM officials, Washington, DC, 19 October 1994.
5. For example, entitlements such as Social Security have tended to be excluded and reductions then come equally from discretionary domestic programs and defense programs.
6. The states have the benefit of separate current and capital budgets while these are integrated at the federal level. State governments do run deficits on the capital budget and fund these by issuing bonds. In many states, issuing bonded indebtedness requires approval of the voters in a referendum, thus restraining the freedom of the state governments.
7. Interviews with OMB officials, Washington, DC, 20 October 1994.
8. Interview with a senior OMB official, Washington, DC, 20 October 1994.
9. Interview with GSA officials, Washington, DC, 20 October 1994.
10. Interview with a Department of Education official, Washington, DC, October 1994.
11. *Ibid.*

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